



Fairfax County Internal Audit Office

Department of Finance
Procurement Card Audit
Final Report

June 2006

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Executive Summary

Our review of procurement cards revealed that internal controls involving receipts and other supporting documentation for procurement card purchases appeared to be functioning properly, and reconciliations appeared to be completed for all months of the audit period. The department's procurement card policy and procedures document (ICP) did not clearly identify the position responsible for performing the procurement card reconciliations. Specifically, department management affirmed that the procurement clerk position performed the reconciliations, but the ICP stated that the card custodian was responsible. Therefore, the Department of Finance's ICP document appeared not to be in compliance with the separation of duties requirements outlined in the county's Procedural Memorandum 12-02, *Use of the County Procurement Card* (PM 12-02).

Scope and Objectives

This audit was performed as part of our Fiscal Year 2006 Annual Audit Plan and was conducted in accordance with generally accepted government auditing standards. The audit covered the period of January 1, 2005, through January 31, 2006, and our audit objectives were to determine if the department:

1. Had developed written internal procedures in accordance with PM 12-02.
2. Followed the county rules and procedures for the use of procurement cards.
3. Had adequate internal control procedures in place and that these procedures were being followed by cardholders.
4. Transactions were reasonable, in line with policy, and did not appear to be fraudulent.

Methodology

Our audit methodology included a review and analysis of internal control procedures, procurement card expenditures, and related accounting records of the department. Our audit approach included an examination of procurement card expenditures, records and statements; interviews of appropriate employees; and a review of internal policies and procedures. We evaluated the processes for compliance with the county's PM 12-02. Information was extracted from the Procurement Card Management System for sampling and verification to source documentation during the audit; however, our audit did not include an independent review of the system controls. Our transaction testing did not rely on system controls; therefore, this was not a scope limitation.

The Fairfax County Internal Audit Office is free from organizational impairments to independence in our reporting as defined by Government Auditing Standards. We report directly and are accountable to the county executive. Organizationally, we are outside the

staff or line management function of the units that we audit. We report the results of our audits to the county executive and the Board of Supervisors, and reports are available to the public.

Findings, Recommendations, and Management Response

Separation of Duties

During our review of the agency's procurement card policies and procedures, we noted that the agency's ICP document was not in compliance with the separation of duties requirements outlined in PM 12-02, as revised August, 2005. Specifically, the agency's ICP document identified the procurement card custodian as responsible for performing the weekly and monthly card reconciliations. We also noted that the reconciliations were signed and dated by the procurement card custodian. PM 12-02 indicates that there should be a proper separation of duties between the procurement card custodian and reconciliation responsibilities. However, upon further discussion with agency management, we learned that the procurement clerk, rather than the procurement card custodian, was the person who performed the weekly reconciliations. The procurement clerk did not sign and date the reconciliation.

Recommendation: We recommend the Department of Finance revise its procurement card ICP document to identify the procurement clerk position as being responsible for procurement card reconciliations, rather than the card custodian. We also recommend that the procurement clerk sign and date the reconciliations to indicate that the review is complete.

Management Response: The procurement card ICP has been revised to clearly identify reconciliation responsibility of the procurement clerk, as well as the duties of the card custodian and was completed before June 15, 2006.